

# MontLake Abrax Merger Arbitrage UCITS Fund

## Global Merger Arbitrage

March 2021

### Performance Returns

The MontLake Abrax Merger Arbitrage UCITS Fund generated a strong return of +0.82% in March (USD Institutional Class), bringing the year-to-date performance to +4.63%, on the back of a series of bidding wars and bumps involving several of our positions (see below). This return was also generated against a volatile backdrop for the broader merger arbitrage universe which was reflected in a monthly (unleveraged) loss of -70bps (YTD gain of +2.29%) for the reference HFRX Merger Arbitrage Index.

### Investment Objective & Strategy

The MontLake Abrax Merger Arbitrage UCITS Fund is a global merger arbitrage and hard catalyst only focused investment fund managed by a highly experienced team.

Through in-depth research, judicious selection of deals, active trading and disciplined risk management, the Fund is focused on late-stage M&A situations with firm merger agreements in place. The Fund only invests in developed markets, with strong regulatory frameworks.

Through selection of the best risk/reward merger arbitrage deals and not taking exposure to special situations or pre-event deals, the MontLake Abrax Merger Arbitrage UCITS Fund has a targeted annual net return of 6 to 8%, with a strong focus on capital preservation with low correlation to the wider equity markets.

### Portfolio Commentary for March

The Fund has been largely immune to the SPAC market rout (SPAC Index down -10.6% for March), even if the latter has had a collateral impact on core merger arbitrage spreads - leading to the first decline in the HFR Merger Arbitrage Index since March 2020 – we have considered this as a good opportunity for the Fund to invest into some attractively priced spreads.

It is also worth noting that global deal making activity had its strongest start to a year in four decades, with deals worth \$1.3tn announced in Q1 2021, more than any first quarter since 1980, according to figures from Refinitiv, with an unprecedented number of bumps and bidding wars, which bodes very well for Abrax. US-based deals were responsible for much of the volumes, increasing 160% compared to Q1 2020, hence Abrax's current investment split of 80% US /20% Europe.

### Bidding Wars

#### Coherent Inc.

The bidding war for Coherent involving 3 strategic bidders (Lumentum, MKS instrument and II-VI) resulted in strong returns in both February and March. Following 7 rounds of counter offers, II-VI finally won the bidding war with an offer of \$220 in cash and \$60.7 in stock (0.91 ratio) resulting in a deal value of \$280.70 per share of Coherent, with an 85% total premium, which is 32% higher than the initial bid from Lumentum. Although the situation was quite unusual with 3 bidders using their stock as acquisition currency, the Fund structured an innovative way to capture the multiple rounds of bids as a large part of the trade profit was on the acquirers' short leg.

#### Cubic Corp.

On March 22nd, Singapore Technology Engineering submitted a first \$76 counteroffer for Cubic Corp, trumping by +8.6% the initial \$70 offer from Veritas/Elliott. STE subsequently raised its offer to \$78, before Veritas/Elliott submitted on March 31st a counteroffer at \$75. Albeit Singapore Technology Engineering bid was higher in value, Cubic Corp. Board gave its recommendation to the Veritas/Elliott offer because of its higher certainty and anticipated timing of closing.

### Bumps

- On March 1st Entain also increased by +32.5% (half of that premium was priced into the spread, but stock increased +17%) its nil premium SEK 40 cash consideration to SEK 53 for **Enlabs AB**.
- On March 1st Starwood Capital increased by +4.6% its €34.44 cash consideration to €36 to acquire **CA Immobilien**.
- On March 8th, Vista Equity Partners increased by +11% its low premium \$20.26 original offer to \$22.50 for the acquisition of **Pluralsight**.

### M&A Market Review for March

March was a very active month with M&A volumes worth \$484bn being announced, up +40% vs the LTM monthly average M&A volume of \$343bn. The US has been the most active country with 3 deals above \$20bn. US notable deals included Kansas City Southern/Canadian Pacific Railway (\$28.4bn), Hartford Financial Services/Chubb (\$23.23bn – proposed), Shaw Communications /Rogers communications (\$20bn), Athene Holding /Apollo Global Management (\$7.2bn), Coherent /II-VI (\$7bn), Michaels Cos/Apollo Global Management (\$6.1bn), Extended Stay America/Starwood Capital Group (\$3.5bn), Cubic Corp/Singapore Technologies Engineering (\$3.3bn - withdrawn). Europe was also active with Klovern /Corem Property Group (\$5.3bn), Euskaltel SA/Masmoil Ibercom (\$4.1bn), Aggreko PLC/TDR Capital (\$3.1bn), S IMMO /IMMOFINANZ (\$3bn), Cerved Group SpA/ION Capital (\$2.9bn), Gamesys Group PLC/Bally's Corp (\$2.8bn - proposed).

### UCITS Monthly Performance (USD Institutional Founder Class)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
2021	1.96%	1.79%	0.82%										4.63%
2020	0.49%	0.57%	-5.90%	5.95%	0.54%	-3.41%	1.65%	0.18%	-1.98%	0.54%	7.46%	0.97%	6.55%
2019	-	-	-	-	-	-	-0.05%	0.68%	0.49%	0.55%	0.27%	1.08%	3.05%

The performance figures quoted above represent the performance of the MontLake Abrax Merger Arbitrage UCITS Fund, USD Inst. Founder class since launch on 24-Jul-2019. These performance figures refer to the past and past performance is not a reliable guide to future performance.



### Xavier Robinson

Xavier Robinson has been the Manager of the Abrax strategy since 2011. He has almost 25 years experience in M&A Investment Banking and Asset Management with senior roles at Dexia Asset Management, Lehman Brothers, Citigroup and BNP Paribas.

### Olivier Baccam

Olivier Baccam has 15 years' event driven/merger arbitrage investment experience at Candriam (Dexia Asset Management) where he was Senior Portfolio Manager, Senior Investment Analyst as well as Management Committee member.

### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Liquidity	Daily
Strategy AUM	\$103.0 million
Fund AUM	\$58.5 million
Inception	24 <sup>th</sup> July 2019

Share Class	Institutional Class
Currency	EUR/USD/CHF/GBP
Mgt. Fee	1.50%
Perf. Fee	15.00%
Min Init. Sub.	100,000

ISIN Codes	USD: IE00BZ00XM70 GBP: IE00BZ00XK56 EUR: IE00BZ00XJ42 CHF: IE00BZ00XL63
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Share Class	Retail Class
Currency	EUR/USD/CHF/GBP
Mgt. Fee	2.00%
Perf. Fee	20.00%
Min Init. Sub.	10,000

ISIN Codes	USD: IE00BZ01DF31 GBP: IE00BZ01DC00 EUR: IE00BZ01DB92 CHF: IE00BZ01DD17
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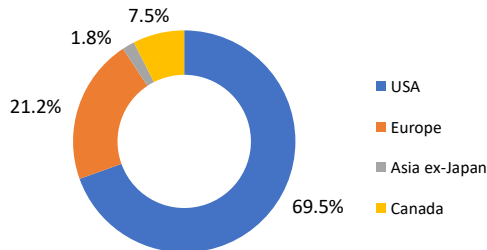
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## Global Merger Arbitrage

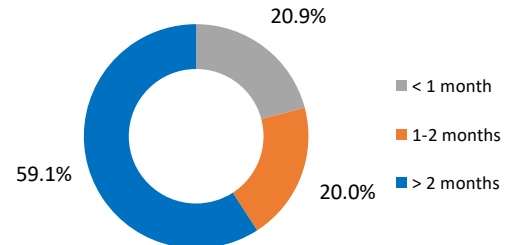
March 2021

### Portfolio Exposure

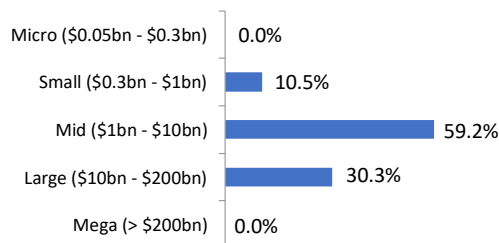
EXPOSURE BY GEOGRAPHY - TARGET



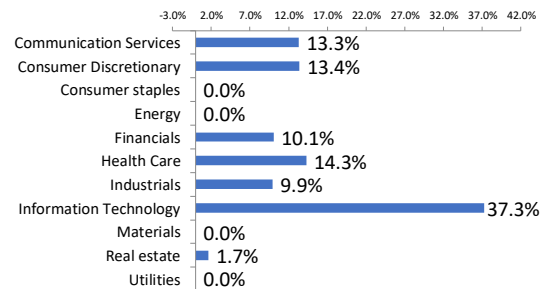
EXPOSURE BY DEAL CLOSING



EXPOSURE BY MARKET CAP



EXPOSURE BY SECTOR



#### CURRENT FUND POSITIONING (% of NAV)

Long	117.2%
Short	13.8%
Gross	131.0%
Net	103.3%
Leverage	1.31x

#### CONCENTRATION (% of gross exposure)

Top 5 long positions	21.7%
Top 10 long positions	36.8%

#### DIRECTION (positions)

Long	38	New situations	12
Short	5	Situations closed	9

#### LIQUIDITY BREAKDOWN (% of gross exposure)

< 1 day	96.6%
2-5 days	3.4%
6-10 days	0.0%
11-20 days	0.0%
> 20 days	0.0%

### Contact Details

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